

VIA: AIR
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SECURITY INFORMATION

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For pouch by pouch

For cable by cable

DATE: 7 August 1952

For info and files

TO : Chief, EE

FROM : Chief of Station, Frankfurt *Chm*

SUBJECT: GENERAL— Operational

SPECIFIC— Progress Report - ZIPPER Transfer to The Federal Republic

1. We have had an excellent opportunity to debrief Dr. HORN during his two day stay in Munich prior to his three week leave to Austria. The information received from him plus what we have learned from Drs. GRAU and GUMBEL (GLOBKE's Administrative and Financial experts studying ZIPPER), and recent discussions with UTILITY has given us a rather lucid picture of ZIPPER developments and progress to legalize themselves with the Bundesrepublik towards becoming the German Intelligence Service.

2. The team of GRAU and GUMBEL completed a three day visit on 18 July 1952. After an overall introduction by UTILITY the following subjects were discussed in detail:

- a. Personnel matters.
- b. Relationship and cooperation with other governmental authorities.
- c. Cover and Legalization problems.
- d. Basic questions of financing and administrative handling.
- e. Accounting procedure.
- f. Budget planning.
- g. Examination of financial matters.
- h. Insurance matters.
- i. Travel costs, disposal costs, procurement of consultants and specialists.
- j. Procurement of foreign currencies.
- k. Property and financial assets.
- l. Vehicles and motorization.

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3. Apparently ZIPPER has prepared the background material of the points listed above and has now been asked to prepare the subjects and contents of this material in a format acceptable to the government. We have asked UTILITY to provide us with copies of the reports they will turn over to Bonn.

4. After considering the problem of transfer from all points of view we have decided not to interfere or attempt to influence UPGROWTH in their scheduled program. We have advised UTILITY to this effect to which he concurs. All concerned feel that our involvement may be considered as unwarranted interference in what is considered a basic internal national problem, and we might do more harm than good. We have given assurance of assistance when it may be required or necessary, and have asked UTILITY to keep us au courant with developments.

5. Finance Minister SCHAEFFER and Mr. BLANK have been officially briefed by UPTHRUST that he intends to integrate ZIPPER into the Federal Republic under the jurisdiction of the Chancery as the centralized national intelligence service. It is considered that the above two individuals are the only ones who need know this for the present time, and specifically to assist in the financial and personnel planning. The only other members of the Bonn government officially involved and briefed are members of GLOBKE's office. UPTHRUST plans to brief the other Ministries and the Bundestag Committee after ratification of the treaties. Blank has also been advised by UPTHRUST to visit the ZIPPER installation in the near future and to discuss mutual problems. We intend to spend some time with BLANK during his visit here, and hope to get a clearer picture of the possible solutions to the complex personnel problem, particularly of the military slots confronting ZIPPER.

6. The actual transfer of ZIPPER does not appear complicated and is envisaged as follows:

a. Upon the effective date of the entry into force of the conventions, UPTHRUST intends to publish a letter order announcing the establishment of a centralized national intelligence service under the Chancery. An executive order or appointment is not necessary since under German law, the Chancellor may create or establish an organization under his jurisdiction which does not have executive powers. The Bundestag has no jurisdiction over such an establishment.

b. Following UPTHRUST's acceptance the only other thing necessary is to receive governmental approval of the budget requirements for the intelligence service. The budget requirements need only be submitted to the Bundes Haushaltsausschuss (Budget Committee) for approval. Preparations for this are under way in the form of studies to be submitted by ORAN and GUMBEL. UPTHRUST controls the Budget Committee since the CDU coalition controls 15 of the 24 votes and the SPD coalition has the remaining 9. Only a simple majority is necessary to carry a motion.

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7. HORN advised us he was informed by McCloy, prior to the latter's departure from Germany, that the United States will recognize the sovereignty of Germany as soon as the German Federal Republic ratifies the two treaties, which is expected to take place approximately 10 October 1952. HORN realizes this is not in accord with Article 11 of the "Conventions on Relations Between the Three Powers and the Federal Republic of Germany, which clearly states that " - - - The present convention shall enter into force immediately upon the deposit by all Signatory states of instruments of ratification of the present convention - - - ". Since this is quite significant and if true will have considerable bearing on our own time table vis a vis ZIPPER we asked HORN again several days later. He reaffirmed the statement and said it was in connection with leverage to force France to ratify the treaties as soon as possible thereafter.

8. As it stands now, UTILITY and WENDT are handling the financial, personnel and administrative matters with GLOBKE and his specialist assistants. During a meeting with UTILITY, MERKER and HERDAHL, Wallop again raised the question of cover for the compound once ZIPPER is recognized as the GIS, and what will be the position of the Americans sitting in the middle of a national service, to which UTILITY, as he has in the past, stated he foresees no physical change necessary for the time being; the cover for the compound will be changed from American military cover to either German military or some sort of German governmental cover; that there may be an in-between period that may offer some complications, however, this may be resolved by erecting a fence between the ZIPPER and POB staff.

9. The relationship of operational and staff procedure is apt to take on a more significant character. UTILITY stated that after acceptance of ZIPPER as the GIS he will have a overt office in Bonn in addition to a liaison staff section, headed by HERDAHL which will be responsible for conducting liaison with the allies. It does not appear likely that the POB staff will be initially effected by this establishment.

*definitely not!
by the way*

10. UTILITY does not consider that there is any rush considering the intelligence relationship of the GIS with other governmental agencies, nor does he think there is any urgency in considering the overall intelligence mission of the GIS, and its related problems. These matters will probably not come up for consideration until after the acceptance of ZIPPER, although some advance considerations must be given these important points by UPGROWTH and UTILITY. We will try to keep ahead of the game.

11. For the past six months we have repeatedly attempted to obtain UTILITY's views on a secret USIS/GIS bi-lateral intelligence agreement. It now appears as if we may finally get it. MERKER has assured us he finished a draft which is presently in UTILITY's office pending his

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return to Pullach on 8 August, which we may expect in the next few days. To a great extent the future of the POB relationship with the GIS will depend upon this secret agreement.

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